

### **1 Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Measuring Units, Standards and Services Fund for the year ended 31 December 2022 comprising the statement of financial position at 31 December 2022 and the statement of financial performance, statement of cumulative fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Qualified Opinion**

I expressed qualified opinion on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per sub- Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

## 1.4 Auditor's Responsibilities for the Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund.
- Whether the Fund has performed according to its powers, functions and duties; and whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observation on Preparation of Financial Statements

### 1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standard

<b>Non-compliance with reference to the Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
According to paragraph 69 of Sri Lanka Public Sector Accounting Standard No. 07, depreciation of an asset begins after it has been brought to a condition ready for use. Eventhough assets valued at Rs. 25,832,345 have become active on 29 December 2022 and due to depreciate for the entire year, the depreciation value is overstated by Rs. 5,124,005.	The asset is depreciated without consider its use in preparing the financial statements. This error will correct while preparing the financial statements for the year 2023.	Sri Lanka Public Sector Accounting Standards should be followed.

### 1.5.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The 06 expenditures of Rs. 3,256,414 spent during the year under review on the purchase of capital nature computer equipment and telephone network modernization had been accounted as repair expenses.	The covering of using Sandblast sticker is correctly accounted. check the other expenses and record them in the asset accounts and adjust the depreciation accordingly.	Expenditure in the form of capital nature should not be accounted as recurrent expenditure.
(b) Service charge of Rs. 372,000 charged by the local council was capitalized to building construction account.	I am informed that the identification of this expenditure as a capital expenditure will be corrected.	Expenditure of recurring nature should not be accounted as capital expenditure.
(c) Advances aggregated amounting to Rs. 1,667,100 paid for website development and purchase of equipment during the year under review had been debited to the machinery and equipment account.	Action will be taken to correct the error in posting the advance payment to the equipment account.	Advance payments should not be capitalized.

- (d) Payment made during the year under review for payable amount of Rs. 595,778 on building additions made in the previous year had been added to the building account instead of being removed from the payable account and assets were overstated by that amount. This has been recorded in the building account by omission. Action will be taken to make the necessary corrections. The relevant payment should be correctly identified and adjusted to the relevant account.

### 1.5.3 Non- available of Written Evidence for Audit

Subject	Amount Rs.	Audit evidence not provided	Comments of the Management	Recommendation
As per the bank reconciliation statement submitted as at 31 December of the year under review, adjustments were made to the cash balance.				
(i) Unidentified direct remittance receipts	10,395,572	Documents to confirm receipts	Necessary steps are being taken to identify these unidentified receipts.	Unrecognized payments and receipts in the bank reconciliation of the fund should be identified and accounted for promptly.
(ii) Unidentified payments	76,587,740	Payment Voucher, documents to confirm payment	Necessary steps are being taken to identify these unidentified payments.	-Do-

### 1.6 Non-compliance with Law, Rule Regulation and Management Decision etc

The following observations are made.

Reference to the Law, Rule Regulation	Non-compliance	Comments of the Management	Recommendation
(a) Section 20 (1) (a) and 37 of the Measurement Units,	Although all the measuring instruments used in the trade should be verified annually, a proper system has not been established in	Action has been commenced to prepare a formal data system by collecting information systematically from the	It should be done according to the provisions of the Act.

	Standards and Services Act No. 35 of 1995	the fund to ensure that every instrument is verified.	service agencies and persons who are currently repairing and presenting the scales for sealing and after giving a registration number to all the measuring instruments and the progress of it will be reported in the next audit.	
(b)	Financial Regulation 1647(b)	Annual survey had not been conducted on vehicles and equipment	A vehicle data system will be developed.	It should be done according to Financial Regulations.
(c)	Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016	Eventhough Government vehicles are required to undergo a re-fuel combustion test after a period of 12 months or 25,000 kilometers or after a major engine related repair, whichever comes first after fuel combustion test, such a test had not been carried out in the case of 17 vehicles of the Department.	Eventhough a vehicle should be driven continuously using the maximum fuel capacity that can be applied for the fuel combustion test, due to the problem of supplying fuel to the vehicles since the QR quota system, the fuel combustion test was not conducted in 2022.	It should be proceed as per provisions of the circular.

## 1.7 Investment Management

Audit Observation	Comments of the Management	Recommendation
A balance ranging from Rs.95 million to Rs.201 million was remained in the current account of the fund from January to December of the year under review and it was observed that this balance was an excess of 63 to 97 percent compared to the monthly requirement of the fund. Although this surplus balance could have been effectively invested and earned interest income for the fund, the management had not paid attention to it.	Arrangements will be made to check the balance of the current account and invest the surplus balance taking into account the monthly cash requirement. Accordingly, amount of Rs.50 million on 17 January 2023 and Rs.20 million on 27 March 2023 have been invested in fixed deposits.	The surplus balance in the current account should be invested effectively and earn interest income for the fund.

## 2. Financial Review

### 2.1 Financial Result

The operating result for the year under review was a surplus of Rs. 75,092,226 and the corresponding surplus of the previous year was Rs. 66,445,028. Accordingly, an improvement of Rs. 8,647,198 was observed in the financial result. Decrease in the overall expenditure by Rs. 8,885,858 was the main reason for the improvement.

## 3. Operating Review

### 3.1 Operational Inefficiency

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Mainly the slow progress of 10 percent of updating measurement unit standards, service act and rules and the progress of 20 percent of introducing technology solutions and guidelines for internal activities had remained under the objective of strengthening the institutional framework.	A committee has been appointed by the Secretary of the Ministry of Commerce on 23.02.2023 for this and the necessary action is being carried out for the amendments to the Measurement Units, Standards and Services Act and the amendments to the method of introducing technical solutions and guidelines for internal activities thereby. This will take considerable time.	Expected progress should be achieved from the scheduled works.
(b) Eventhough it was scheduled to improve 08 technical laboratories to meet international standards in order to gain international recognition for the National Measurement Laboratory (ISO 17025 ISO 9001), only 06 laboratories had been completed. Also, 50 percent of the online training and consultation of international experts and 40 percent to obtain the review of international experts had been achieved.	Work of two laboratories has already started so far and the expected progress can be achieved in those laboratories by the end of August. Advices and reviews of international experts will be obtained as expected in these activities.	Expected progress should be achieved from the scheduled works.

- (c) The progress achieved with the objectives of disseminating measurement knowledge and promoting training programs between (affiliated) institutions to create a skilled and educated community was remained between 18 and 50 percent. Practical activities and theoretical programs were planned to be implemented covering all 25 districts for this and in the crisis situation (political and fuel) in 2022, it was not possible to achieve those goals. -Do-
- (d) Eventhough 60 tests were planned to be carried out through invasions to educate the people and complete the test process in a minimum time under the awareness programs, only 14 tests were completed, so the progress remained at 23 percent. This means carrying out invasions for customer complaints and 60 programs have been planned and directed to the districts, 14 programs or 23 percent could be reached, due to the transport facilities and fuel crisis caused to the measuring units, standards and service departments in the district secretaries all over the island. -Do-
- (e) Although it was planned to re-verify measurement standards in 12 districts, only 04 districts had completed the task. The work has been done in 04 districts, due to the large time spent in the repair by the industrial workshop of the District Measuring Equipment Department and then the standardization of the standard equipment at the National Measuring Laboratory, sufficient time is also required for the process of issuing the certificate and because of the difficulty of maintaining the district duties while importing the district standard equipment at the same time. -Do-
- (f) Although 03 programs had been planned to achieve national and international objectives in line with national policies, not a single program had been implemented. Practical activities and theoretical programs were planned for this, those goals could not be achieved in the crisis situation (political and fuel) in the year 2022. Expected progress should be achieved from a scheduled works.

## 3.2 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>The Department has not registered suppliers for vehicle repairs or servicing during or prior to the year under review and in accordance with Guideline 3.4 of the Procurement Guidelines 2006, it is required to obtain the relevant service from the bidders who have been evaluated and selected among 03 or 05 bids received by mail from suppliers selected from registered suppliers or from the yellow pages of the telephone directory in procuring of minor value works or services, contrary to that 33 times of service (without calling for bids) had been obtained from the same service station and paid Rs. 1,350,605 thereon.</p>	<p>In order to carry out the repair works so as not to obstruct the revenue generation activities of the Department, bids were invited from the organizations that have been doing repairs for many years and the works were done by the lowest bidder who responded substantially. Action will be taken to refer the vehicles for repair/ invite the Bids according to the list of organizations near to the Homagama selected from the telephone directory from the year 2023.</p>	<p>Procurement should be done as per Procurement Guidelines.</p>